

U.S. ENVIRONMENTAL PROTECTION AGENCY ENVIRONMENTAL FINANCIAL ADVISORY BOARD

April 30, 2002

Honorable Christine Todd Whitman
Administrator
U.S. Environmental Protection Agency
Washington, D.C. 20460-0001

Dear Administrator Whitman:

The Environmental Financial Advisory Board (EFAB) is pleased to provide you with a "Summary of Key Points" from a workshop on public sector initiatives to promote cost-effective environmental management. The Board is indebted to the Cost-Effective Environmental Management (CEM) Workgroup, chaired by Michael Deane, Corporate Vice President, United Water and Billy Turner, President, Columbus Water Works, who organized the workshop.

This workshop was the second in a series that the CEM workgroup is holding to highlight for the Agency a variety of techniques and strategies in both the public and private sectors, that can lead to greater efficiencies and lower costs in providing public-purpose environmental and public health protection. The "Summary of Key Points" shows that the meeting yielded a wealth of good information and new ideas to improve efficiency in the public water industry. Additionally, the workshop included a special panel on the Water Infrastructure Network's report. The report, among other things, argues for a significant increase in long-term, reliable federal funding of drinking water and wastewater facilities and greater State flexibility in making grants and loans.

We would like to take this occasion to make two broad recommendations for your consideration:

Recommendations

1. In general, EFAB believes that there is as much potential to reduce the costs of environmental and public health protection as there is to increase the volume of investments in it. The Environmental Protection Agency's (EPA) Innovation Council would be an excellent forum to undertake a comprehensive attempt to identify cost saving measures and importantly, what more the Agency might do to encourage their adoption by the public sector. EFAB members would be happy to meet with the Council to discuss how this review might take place.
2. Over the years, EPA has done an impressive job in applying demonstration grants to the

assessment of the public benefits of new ideas. EFAB recommends that demonstration grants be expanded aggressively to identify, document, evaluate, and ultimately encourage the adoption of, cost-effective management techniques and strategies. An excellent example is the use of demonstration grants for environmental management systems by the Office of Water, resulting in major advances in expanding the knowledge and application of EMS' in the water industry. Case studies were emphasized in the workshop as effective communication tools. They should be prepared for each demonstration project and be presented collectively on an easily accessible webpage of the agency. Another noteworthy example is the popular website of the Environmental Finance Program in the Office of the Comptroller, located at: www.epa.gov/efinpage.

Follow-Up Activities

The CEM workgroup has held two subsequent workshops. On November 8, 2001, the workgroup hosted a workshop on the linkage between environmental management systems (EMS) implemented by the public drinking water and wastewater utilities and financial performance. A second workshop was held March 4, 2002 on the new General Accounting Standards Board 34 (GASB) requirements covering capital asset inventories and management of public utilities. The GASB 34 requirements are controversial as they will change, in many instances, previous practices affecting capital asset management. EFAB will be sending you shortly specific recommendations regarding further actions EPA should consider with respect to EMS and GASB 34 implementation.

We appreciate the opportunity to offer this Summary and recommendations to EPA, and of course we are available to discuss this and other EFAB projects with you or members of your staff.

Sincerely,

Robert O. Lenna
Chair, EFAB

A. Stanley Meiburg
Executive Director, EFAB

Enclosure

cc: Linda Combs, Chief Financial Officer
Tracy Mehan III, Assistant Administrator, OW
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